

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

Annual Financial Statements

As of and for the Year Ended
December 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-21-06

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

Annual Financial Statements
As of and for the Year Ended December 31, 2005

C O N T E N T S

	Statement	Page No.
Independent Auditor's Report		2
Required Supplemental Information:		
Management's Discussion and Analysis		4
Basic Financial Statements:		
Enterprise Fund Financial Statements:		
Statement of Net Assets	A	8
Statement of Revenues, Expenses, and Changes in Fund Net Assets	B	9
Statement of Cash Flows	C	10
Notes to the Financial Statements		11
	Schedule	Page No.
Supplemental Information Schedules:		
Schedule of Compensation Paid Commissioners	1	20
Status of Prior Year Findings	2	21
Independent Auditor's Reports Required by Government Auditing Standards:		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>		23
Current Year Findings and Corrective Action Plan		25

M. Carleen Damas

CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD . CALHOUN, LOUISIANA. TELEPHONE 318/644-5726

Independent Auditor's Report

**BOARD OF COMMISSIONERS
EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana**

I have audited the accompanying financial statements of the business-type activities of East Columbia Waterworks District, a component unit of the Caldwell Parish Police Jury, as of December 31, 2005, and for the year then ended, which comprise the district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the district's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of East Columbia Waterworks District, as of December 31, 2005, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF THE SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF COMMISSIONERS
EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana
Independent Auditor's Report
December 31, 2005

The management's discussion and analysis on pages 4 through 6, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the East Columbia Waterworks District's basic financial statements. The Schedule of Compensation Paid Commissioners and the Status of Prior Year Findings listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated April 11, 2006, on my consideration of East Columbia Waterworks District's internal control over financial reporting and on my tests of the district's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

s/ Carleen Dumas

Calhoun, Louisiana
April 11, 2006

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2005

Our discussion and analysis of East Columbia Waterworks District's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the District's financial statements that begin on page 8.

BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

- a. Management's discussion and analysis (MD&A)
- b. Statement of net assets
- c. Statement of revenues, expenses, and changes in net assets
- d. Statement of cash flows
- e. Notes to the financial statements
- f. RSI other than MD&A, if applicable

The East Columbia Waterworks District is a special-purpose government engaged only in business-type activities.

Enterprise Fund Financial Statements

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information in a way that shows the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and the changes in them. Net assets - the difference between assets (what the District owns) and liabilities (what the District owes) is a way to measure the financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating.

EAST COLUMBIA WATERWORKS DISTRICT

Columbia, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2005

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating activities, capital and related financing activities, and investing activities.

**COMPARATIVE ANALYSIS OF
FINANCIAL DATA**

The District's total net assets decreased by \$28,773 during 2005. The decrease in net assets is due to operating revenues being insufficient for operating expenses including depreciation expense. For 2006 this will be corrected due to the fact that the original water system will be fully depreciated during 2006. Operating revenues increased \$28,772 and operating expenses increased \$36,354. Increases in materials and supplies and labor expense accounted for 50% of the increase in operating expenses. These expenses were incurred in connection with laying additional water lines during 2005. The district also received \$978,539 in DOTD grant funds to pay for the costs of line relocation during 2005. The following presents an analysis of net assets and changes in net assets of the District's business-type activities:

	BUSINESS-TYPE ACTIVITIES	
	2005	2004
Assets		
Current assets	\$201,157	\$154,327
Restricted assets	203,012	197,043
Capital assets	249,043	304,039
Total assets	<u>653,212</u>	<u>655,409</u>
Liabilities		
Current liabilities	116,081	54,504
Long-term liabilities	458,000	493,000
Total liabilities	<u>574,081</u>	<u>547,504</u>
Net Assets		
Invested in capital assets, net of related debt	(243,957)	(216,961)
Restricted for debt service	203,012	197,043
Unrestricted	120,076	127,823
Total net assets (deficit)	<u>79,131</u>	<u>107,905</u>
Operating revenues	247,920	219,148
Operating expenses	254,288	217,934
Non-operating revenues (expenses)	<u>(22,405)</u>	<u>(23,182)</u>
Change in net assets	(28,773)	(21,968)
Net assets - beginning	107,904	129,873
Net assets - ending	<u>\$79,131</u>	<u>\$107,905</u>

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2005

OVERALL FINANCIAL POSITION

Unrestricted net assets (those assets available to finance the daily operations of the district) were \$120,076 at year end. The amount of net assets restricted for debt service was \$203,012. The amount invested in capital assets, net of related debt was (\$243,957) at year end.

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of the year, the District had capital assets (net of accumulated depreciation) totaling \$249,043. Capital assets include land, the water system and equipment costing \$1,000 or more. During 2005, the district replaced a pump costing \$12,900. Additional information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At year end the District had \$493,000 in revenue bonds payable. Interest expense on these bonds was \$26,050 for 2005. Additional information about the District's debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

The District anticipates its revenues and expenses to be fairly constant for 2006. The District expects its net assets to remain fairly unchanged at the end of 2006. The line relocation project was substantially complete in 2005 and therefore, grant revenues should decrease significantly in 2006.

BASIC FINANCIAL STATEMENTS

Statement A**EAST COLUMBIA WATERWORKS DISTRICT**
Columbia, Louisiana**STATEMENT OF NET ASSETS**
December 31, 2005**ASSETS**

Current assets:

Cash	\$88,143
Investments	42,213
Receivables (net of allowance for bad debts)	<u>70,801</u>
Total current assets	<u>201,157</u>

Noncurrent assets:

Restricted cash	121,981
Restricted investments	81,031
Property, plant and equipment (net of accumulated depreciation)	<u>249,043</u>
Total noncurrent assets	<u>452,055</u>
Total assets	<u>653,212</u>

LIABILITIES

Current liabilities:

Accounts payable	59,334
Payroll taxes payable	768
Sales taxes payable	5
Current portion of long-term debt	35,000
Customer deposits	<u>20,974</u>
Total current liabilities	<u>116,081</u>

Noncurrent liabilities:

Long-term debt - revenue bonds payable	<u>458,000</u>
Total liabilities	<u>574,081</u>

NET ASSETS

Invested in capital assets, net of related debt	(243,957)
Restricted for debt service	203,012
Unrestricted	<u>120,076</u>
Total net assets	<u>\$79,131</u>

See accompanying notes.

Statement B**EAST COLUMBIA WATERWORKS DISTRICT**
Columbia, Louisiana**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS**
For the Year Ended December 31, 2005**OPERATING REVENUES**

Water sales	\$242,381
Installation fees	4,294
Other operating revenue	<u>1,245</u>
Total revenues	<u>247,920</u>

OPERATING EXPENSES

Per diem	3,570
Travel	9,600
Accounting and audit	2,744
Labor	22,506
Materials and supplies	50,182
Office expense	17,173
Utilities	14,723
Insurance	28,416
Salaries	27,600
Collections expense	1,100
Payroll taxes	3,013
Safe drinking water program	2,465
Depreciation	67,896
Other operating expenses	<u>3,300</u>
Total operating expenses	<u>254,288</u>

OPERATING INCOME (Loss) (6,368)**NON-OPERATING REVENUES (EXPENSES)**

Interest income	3,645
DOTD line relocation grant	978,539
Line relocation expense	(978,539)
Interest expense	<u>(26,050)</u>
Total non-operating revenues (expenses)	<u>(22,405)</u>

DECREASE IN NET ASSETS (28,773)**NET ASSETS - BEGINNING** 107,904**NET ASSETS - ENDING** \$79,131

See accompanying notes.

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$247,973
Customer deposit receipts, net	821
Payments to suppliers	(152,364)
Payments to employees and board	(31,170)
Net cash provided by operating activities	<u>65,260</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on capital debt	(28,000)
Interest paid on capital debt	(26,050)
Purchases of capital assets	(12,900)
Increase in restricted cash and investments	(3,622)
Net cash used by capital and related financing activities	<u>(70,572)</u>

CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES

DOTD grant	938,043
Line relocation expense	(927,919)
Net cash provided by non-capital and related financing activities	<u>10,124</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	3,645
Increase in investments	(579)
Net cash provided by investing activities	<u>3,066</u>

NET INCREASE IN CASH 7,878

CASH AT BEGINNING OF YEAR 80,265

CASH AT END OF YEAR \$88,143

Reconciliation of Operating Income (Loss) to Net Cash

Provided by Operating Activities	
Operating Income (Loss)	<u>(\$6,368)</u>
Adjustments:	
Depreciation	67,896
Bad debt expense	1,773
Decrease in accounts receivable	350
Increase in accounts payable	977
Decrease in taxes payable	(189)
Increase in customer deposits	821
Total adjustments	<u>71,628</u>
Net cash provided by operating activities	<u><u>\$65,260</u></u>
See accompanying notes.	

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2005

INTRODUCTION

East Columbia Waterworks District was created by the Caldwell Parish Police Jury on September 6, 1949, as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a six member board appointed by the police jury to serve five-year terms. East Columbia Waterworks District commissioners receive \$50 per meeting attended. The district serves approximately 958 customers and has two part-time employees.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, East Columbia Waterworks District is considered a component unit of the Caldwell Parish Police Jury. As a component unit, the accompanying financial statements maybe included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

1. Management's discussion and analysis (MD&A)
2. Statement of net assets
3. Statement of revenues, expenses, and changes in net assets
4. Statement of cash flows
5. Notes to the financial statements
6. RSI other than MD&A, if applicable

The East Columbia Waterworks District is a special-purpose government engaged only in business-type activities.

B. Measurement Focus, Basis of Accounting, and

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

Financial Statement Presentation

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. East Columbia Waterworks District has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of East Columbia Waterworks District are water sales, installation fees, and other operating income. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Deposits and Investments

Cash includes amounts in interest-bearing and non-interest bearing demand deposits. State law allows the district to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At December 31, 2005, the district's investments consist of nonnegotiable certificates of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost.

D. Receivables

Receivables for water sales are shown net of an allowance for uncollectible amounts. The allowance is an estimate based on the amount of receivables that are collected in the month following the month billed. Grant receivable is considered fully collectible.

E. Restricted Assets

Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by the debt agreement.

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

F. Capital Assets

Capital assets, which include land, the water system, and equipment are reported in the enterprise fund financial statements. All of the district's capital assets are capitalized at historical cost. The East Columbia Waterworks District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Infrastructure - Water system	25 years
Equipment	5 years

G. Long-term Obligations

Long-term debt such as revenue bonds payable are reported as liabilities in the statement of net assets.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2005, the district has cash and investments (book balances) as follows:

Non-interest bearing checking accounts	\$88,143
Interest bearing savings accounts	121,981
Investments - certificates of deposit	<u>123,244</u>

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

Total \$333,368

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2005, the East Columbia Waterworks District has \$427,417 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$251,464 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

3. RECEIVABLES

At December 31, 2005, the district has net receivables of \$70,801 as follows:

Water sales	\$35,652
DOTD line relocation grant	40,496
Allowance for uncollectible accounts	<u>(5,347)</u>
Net receivables	<u>\$70,801</u>

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2005, is as follows:

	Balance at January 1, 2005	Increases	Decreases	Balance at December 31, 2005
Capital assets not being depreciated:				
Land	<u>\$3,950</u>	<u>NONE</u>	<u>NONE</u>	<u>\$3,950</u>
Capital assets being depreciated:				
Water system	\$1,653,984	\$12,900		\$1,666,884
Equipment	<u>24,227</u>			<u>24,227</u>

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

	Balance at January 1, 2005	Increases	Decreases	Balance at December 31, 2005
Total capital assets being depreciated	<u>1,678,211</u>	<u>12,900</u>	<u>NONE</u>	<u>1,691,111</u>
Less accumulated depreciation for:				
Water system	1,361,073	66,160		1,427,233
Equipment	<u>17,049</u>	<u>1,736</u>		<u>18,785</u>
Total accumulated depreciation	<u>1,378,122</u>	<u>67,896</u>	<u>NONE</u>	<u>1,446,018</u>
Total assets being depreciated, net	<u>\$300,089</u>	<u>(\$54,996)</u>	<u>NONE</u>	<u>\$245,093</u>

Depreciation expense of \$67,896 for the year ended December 31, 2005 was reported in the statement of revenues, expenses, and changes in net assets.

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt (revenue bonds payable) transactions for the year ended December 31, 2005:

Revenue bonds payable at January 1, 2005	\$521,000
Additions	NONE
Reductions	<u>(28,000)</u>
Revenue bonds payable at December 31, 2005	<u>\$493,000</u>

The following is a summary of the current (due in one year or less) and long-term (due in more than one year) portions of long-term obligations as of December 31, 2005:

Current portion	\$35,000
Long-term portion	<u>458,000</u>
Total	<u>\$493,000</u>

All outstanding debt at December 31, 2005, in the amount of \$493,000 are revenue bonds payable with maturities from 2006 until 2020 and 5% interest rates. Loan principal and interest payable in the next fiscal year are \$35,000 and \$24,650, respectively. The individual bonds are as follows:

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

	<u>\$337,000</u> <u>Bonds</u>	<u>\$646,300</u> <u>Bonds</u>
Original issue date	5/23/73	7/29/81
Interest rate	5.00%	5.00%
Final payment due	1/1/20	1/1/20
Interest to maturity	\$48,802	\$138,898
Principal outstanding	\$128,180	\$364,820
Funding source	Water revenue	Water revenue

The loans are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2006	\$35,000	\$24,650	\$59,650
2007	36,000	22,900	58,900
2008	37,000	21,100	58,100
2009	38,000	19,250	57,250
2010	38,000	17,350	55,350
2011 - 2015	159,000	58,950	217,950
2016 - 2020	150,000	23,500	173,500
Total	<u>\$493,000</u>	<u>\$187,700</u>	<u>\$680,700</u>

6. RESTRICTED NET ASSETS

The bond covenants with the United States Department of Agriculture, Farmers Home Administration for the long-term revenue bonds discussed in note 5 above, requires the district to establish the following reserve accounts:

- A. A "Waterworks Revenue Bond and Interest Sinking Fund". The district must transfer into this fund each month, one-twelfth of the principal and one-sixth of the interest due on the next principal and interest payment dates. Such transfers will be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments.
- B. A "Waterworks Reserve Note Fund". The district must transfer into this fund each month an amount equal to 5 percent of the amount to be paid into the Waterworks Revenue Bond and Interest Sinking Fund each month until there will have been accumulated in the Reserve Fund an amount equal to the

EAST COLUMBIA WATERWORKS DISTRICT
Notes to the Financial Statements

maximum principal and interest requirements in any one maturity year. The maximum is \$60,250. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Waterworks Revenue Bond and Interest Sinking Fund and as to which there would otherwise be default.

- C. A "Waterworks Depreciation Fund". The district must transfer \$242 into this fund each month. Money in this fund may be used for the making of extraordinary repairs or replacements to the system that are necessary to keep the system in operating condition and for which the money is not otherwise available. Money in this fund may be used to pay principal and interest on the bonds at any time there is not sufficient funds in the other bond funds.

At December 31, 2005, the district has set aside \$203,012 to meet the reserve requirements. These deposits are reported as restricted cash and investments on the district's statement of net assets.

7. RISK MANAGEMENT

The district purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

8. UTILITIES RELOCATION ASSISTANCE FUNDING

During the year ended December 31, 2005, the district entered into two separate agreements with the Louisiana Department of Transportation and Development (DOTD) to relocate the district's water lines that were located within the limits of a road construction project. During 2005, the district received and disbursed \$978,539 in DOTD utilities relocation assistance funding. The agreements with DOTD provide that the water district is responsible for repaying \$692,953 of the funding received. The agreement provides that the district may repay in partial amounts, in exchange for goods and/or services or any combination thereof. None of the funding has been repaid as of December 31, 2005.

SUPPLEMENTAL INFORMATION SCHEDULES

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2005

COMPENSATION PAID COMMISSIONERS

The schedule of compensation paid to commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:3819, East Columbia Waterworks District commissioners receive \$50 per meeting attended.

STATUS OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 2.

Schedule 1

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

SCHEDULE OF COMPENSATION PAID COMMISSIONERS
For the Year Ended December 31, 2005

Shelby Cruse	\$595
Jerry Duff	595
V. H. Osteen	595
Dale Powell	595
John Rider	595
John Slack	595
Total	<u>\$3,570</u>

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, LouisianaSTATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2005

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action</u>
Procedure 9	2003	Published notice of meeting place and time differed from actual meeting place and time.	Yes	N/A
Procedure 9	2003	Agendas were not prepared for meetings.	N/A	N/A

Independent Auditor's Report
Required by *Government Auditing Standards*

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas

CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD . CALHOUN, LOUISIANA. TELEPHONE 318/644-5726

**Independent Auditor's Report on
Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**BOARD OF COMMISSIONERS
EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana**

I have audited the financial statements of the business-type activities of East Columbia Waterworks District, a component unit of the Caldwell Parish Police Jury, as of December 31, 2005, and for the year then ended, which comprise East Columbia Waterworks District's basic financial statements and have issued my report thereon dated April 11, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered East Columbia Waterworks District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect East Columbia Waterworks District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-1, 2005-2, and 2005-3.

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF THE SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF COMMISSIONERS
EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2005

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider item 2005-3 to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Columbia Waterworks District's financial statements are free of material misstatement, I performed tests of the district's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the board of commissioners and management of East Columbia Waterworks District, and other interested state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

s/ Carleen Dumas

Calhoun, Louisiana
April 11, 2006

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana

CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2005

I have audited the financial statements of the business-type activities of East Columbia Waterworks District, as of and for the year ended December 31, 2005, and have issued my report thereon dated April 11, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. My audit of the financial statements as of December 31, 2005 resulted in a qualified opinion.

Section I - Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness ☒ Yes ☐ No

Reportable Conditions ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statement ☐ Yes ☒ No

Section II - Financial Statement Findings

2005-1. Need to Improve Controls Over Cash Disbursements

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorizations.

Condition: In performing my test of expenses, I noted that 3 out of 23 disbursements (13%) examined were not properly supported by an original invoice or other supporting documentation.

EAST COLUMBIA WATERWORKS DISTRICT

Columbia, Louisiana

Schedule of Findings

For the Year Ended December 31, 2005

Effect: The failure to establish and adhere to internal controls over cash disbursements could result in a loss of assets from unauthorized use or disposition or from transactions that are not in accordance with management's authorizations.

Recommendation: I recommend that all disbursements be supported by original, itemized invoices or other appropriate supporting documentation.

Management's Response: In the future, all disbursements will be properly supported.

2005-1. Need to Improve Controls Over Billing and Customer Payments

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorizations.

Condition: In performing my test of water sales, I noted that adjustments totaling \$17,998 were posted to customer's accounts during the year ended December 31, 2005. For each month during 2005, customer payments per payment reports did not agree to the amount of customer payments deposited in the bank. Bank deposits were \$2,720 more than payments per customer payment reports.

Effect: The failure to establish and adhere to internal controls over billing and customer payments could result in a loss of assets from unauthorized use or disposition or from transactions that are not in accordance with management's authorizations.

Recommendation: I recommend that billing reports be reviewed for accuracy prior to printing actual bills and that the reasons for large adjustments to customer accounts be documented on the adjustments register. I also recommend that a customer payment report be printed for each batch of payments entered and that the total of the customer payment report be reconciled to the deposit slip for that batch.

Management's Response: In the future, billing reports will be reviewed for accuracy, the reasons for large adjustments will be documented and customer payment reports will be reconciled to bank deposits.

EAST COLUMBIA WATERWORKS DISTRICT
Columbia, Louisiana
Schedule of Findings
For the Year Ended December 31, 2005

2005-3 Inadequate Segregation of Accounting Duties

Criteria: Incompatible functions should be performed by separate individuals.

Condition: All accounting functions of the district, i.e., billing, posting and depositing customer payments and other receipts and preparing, posting, and issuing checks are performed by one individual.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None

Management's Response: We concur with the finding but it is not economically feasible to correct this deficiency based on the size of the district and its limited revenues.